BTB

BTB Real Estate Investment Trust

Year ended December 31, 2015

Audited Consolidated Financial Statements

Building Trust

Management's responsibility for Financial Reporting

The accompanying consolidated financial statements of BTB Real Estate Investment Trust ("BTB") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

Financial information appearing throughout our MD&A is consistent with these consolidated financial statements. In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2015, the President and Chief Executive Officer and the Vice President and Chief Financial Officer of BTB had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and procedures used for the preparation of filings, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls and procedures were effective.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of Trustees who are not members of BTB's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the trustees on auditing matters and financial reporting issues.

KPMG s.r.l./S.E.N.C.R.L., independent auditors appointed by the unitholders of BTB upon the recommendation of the Board, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2015 and 2014 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

Michel Léonard
President and Chief Executive Officer

Benoit Cyr, CPA, CA, MBA
Vice President and Chief Financial Officer

Montreal, March 17th 2016

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INDEPENDENT AUDITORS' REPORT

To the unitholders of BTB Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of BTB Real Estate Investment Trust, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BTB Real Estate Investment Trust as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP*

March 17, 2016

Montréal, Canada

*FCPA auditor, FCA, public accountancy permit No. A106087

BTB Real Estate Investment Trust

Consolidated Statements of Financial Position

As at December 31, 2015 and 2014
(Audited - in thousands of CAD dollars)

	Notes	2015	2014
		$	$
ASSETS			
Investment properties	4, 5, 6	622,651	571,462
Property and equipment	7	2,292	2,296
Derivative financial instruments	14	—	53
Restricted cash	8	51	1,717
Other assets	9	1,969	3,439
Receivables	10	1,981	1,342
Cash and cash equivalents		4,138	6,428
Total assets		**633,082**	**586,737**
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgage loans payable	11	366,596	329,943
Convertible debentures	12	68,866	65,186
Bank loans	13	9,800	—
Derivative financial instruments	14	380	145
Unit-based compensation	15	173	213
Trade and other payables		11,693	12,457
Distributions payable to unitholders		1,215	1,194
Total liabilities		**458,723**	**409,138**
Unitholders' equity		**174,359**	**177,599**
		633,082	**586,737**

See accompanying notes to consolidated financial statements.

Approved by the Board on March 17, 2016.

Michel Léonard, Trustee   Jocelyn Proteau, Trustee

BTB Real Estate Investment Trust

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars)

	Notes	2015	2014
		$	$
Operating revenues			
Rental revenues from properties	17	72,892	67,170
Operating expenses			
Property taxes and public utilities		19,850	18,217
Other operating costs		11,748	10,970
		31,598	29,187
Net operating income		**41,294**	**37,983**
Finance costs		22,863	20,410
Net adjustment to fair value of derivative financial instruments		288	(1,379)
Net financing costs	18	23,151	19,031
Trust administration expenses		4,044	4,209
Expenses for abandoned transaction	19	207	—
Net income before the following item		**13,892**	**14,743**
Net changes in fair value of investment properties and disposals transaction costs	20	(5,223)	(1,860)
Net income being total comprehensive income for the year		**8,669**	**12,883**

See accompanying notes to consolidated financial statements.

BTB Real Estate Investment Trust

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars)

	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
Balance at January 1, 2015		**182,284**	**(38,248)**	**33,563**	**177,599**
Issuance of units	16	2,569	—	—	2,569
Distributions to unitholders	16	—	(14,478)	—	(14,478)
		184,853	(52,726)	33,563	165,690
Comprehensive income		—	—	8,669	8,669
Balance as at December 31, 2015		**184,853**	**(52,726)**	**42,232**	**174,359**

	Notes	Unitholders' contributions	Cumulative distributions	Cumulative comprehensive income	Total
Balance at January 1, 2014		**157,207**	**(25,295)**	**20,680**	**152,592**
Issuance of units		25,077	—	—	25,077
Distributions to unitholders	16	—	(12,953)	—	(12,953)
		182,284	(38,248)	20,680	164,716
Comprehensive income		—	—	12,883	12,883
Balance as at December 31, 2014		**182,284**	**(38,248)**	**33,563**	**177,599**

See accompanying notes to consolidated financial statements.

BTB Real Estate Investment Trust

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars)

	Notes	2015	2014
		$	$
Operating activities			
Net income for the year		8,669	12,883
Adjustment for:			
Decrease in fair value of investment properties and disposals transaction costs	20	5,223	1,860
Depreciation of property and equipment	7	158	165
Unit-based compensation		279	284
Straight-line lease adjustment	17	(702)	(610)
Lease incentive amortization	17	2,084	1,793
Net financing costs	18	23,151	19,031
		38,862	35,406
Net change in non-cash operating items		(624)	1,272
Net cash from operating activities		**38,238**	**36,678**
Investing activities			
Additions to investment properties	4, 5	(68,735)	(49,553)
Net proceeds from disposal of investment properties		12,087	4,656
Additions to property and equipment	7	(154)	(77)
Net cash used in investing activities		**(56,802)**	**(44,974)**
Financing activities			
Mortgage loans, net of financing costs		78,326	66,113
Repayment of mortgage loans		(42,708)	(50,264)
Bank loans, net of financing costs		18,959	2,246
Repayment of bank loans		(9,159)	(3,291)
Net proceeds from issue of convertible debentures		25,251	—
Repayment of convertible debentures		(22,854)	—
Net proceeds from issue of units		333	23,429
Net distributions to unitholders		(12,685)	(11,301)
Reduction in restricted cash	8	1,666	4,115
Interest paid		(20,855)	(18,853)
Net cash from financing activities		**16,274**	**12,194**
Net (decrease) increase in cash and cash equivalents		**(2,290)**	**3,898**
Cash and cash equivalents, beginning of year		**6,428**	**2,530**
Cash and cash equivalents, end of year		**4,138**	**6,428**

See accompanying notes to consolidated financial statements.

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

1. Reporting Entity

BTB Real Estate Investment Trust ("BTB") is an unincorporated open-ended real estate investment trust formed and governed under the Civil code of Quebec pursuant to a trust agreement and is domiciled in Canada. The address of BTB's registered office is 2155, Crescent street, Montreal, Quebec, Canada. The consolidated financial statements of BTB for the years ended December 31, 2015 and 2014 comprise BTB and its wholly-owned subsidiaries (together referred to as the "Trust") and the Trust's interest in joint operations.

2. Basis of Preparation

(a) Statement of compliance

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Trustees on March 17, 2016.

(b) Basis of presentation and measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Investment properties are measured at fair value;
- Derivative financial instruments are measured at fair value;
- Unit-based compensation is measured using a fair value-based method of accounting.

The Trust presents its consolidated statements of financial position based on the liquidity method, whereby all assets and liabilities are presented in increasing order of liquidity.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is BTB's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per unit amounts.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

(i)Critical judgements in applying accounting policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Business combinations

The Trust acquires entities that own real estate. At the time of acquisition, the Trust considers whether the acquisition represents the acquisition of a business, i.e., where an integrated set of activities is acquired in addition to the investment property. More specifically, the following criteria are considered:

- The extent to which significant inputs and processes are acquired and in particular the extent of ancillary services provided by the acquiree.
- Whether the acquiree has allocated its own staff to manage the investment property and/or to deploy any processes.
- The number of investment properties owned by the acquiree.

An acquisition of a business is accounted for as a business combination under IFRS 3, *Business Combinations*.

When the acquisition does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

Operating lease contracts – Trust as lessor

The Trust enters into commercial property leases on its investment properties. The Trust has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the leases as operating leases.

(ii) Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assest and liabilities within the next financial year:

BTB Real Estate Investment Trust

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

Valuation of investment properties
Investment properties are stated at fair value at each reporting date. Gains or losses arising from changes in the fair values are included in profit or loss in the period in which they arise. Fair value is determined by management using internally generated valuation models and by independent real estate valuation experts using recognized valuation techniques. These models and techniques comprise both the Discounted Cash Flow Method and the Direct Capitalization method. In some cases, the fair values are determined using the Comparable method which is based on recent real estate transactions with similar characteristics and location to those of the Trust's investment properties.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (including lease income and costs, future revenue streams, capital expenditures of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those cash flows. These estimates are based on local market conditions existing at the reporting date.

The significant methods and assumptions used by management and the valuators in estimating the fair value of investment properties are set out below:

Techniques used for valuing investment properties
The Direct Capitalization method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires estimation of future cash inflows and application of investor yield or return requirements.

The Discounted Cash Flow method involves the projection of a series of periodic cash flows either to an operating investment property or a development investment property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the investment property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value estimated of the investment property.

The Comparable method involves the comparison of the Trust’s investment properties to similar investment properties that have transacted within a recent time frame from which a fair value is estimated based on the price per square foot of these comparable sales.

Derivative financial instruments
Derivative financial instruments, including embedded derivatives, are recognized on the consolidated statement of financial position at fair value. Subsequent to initial recognition, these derivatives are measured at fair value. The fair value of derivative instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk

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For the years ended December 31, 2015 and 2014
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of the financial instrument. Changes in estimated fair value at each reporting date are included in profit and loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

Unit options
The Trust has a unit option plan for the benefit of management. The plan does not provide for cash settlement. The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using the Black-Scholes model. The compensation expense is amortized using the graded vesting method. The valuation model requires management to make estimates for the expected life, volatility, the average dividend yield of distributions and the average risk-free interest rate.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations
Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and trust units issued by the Trust on the date control of the acquired entity is obtained. Acquisition-related costs, other than those associated with the issue of debt or trust units, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Trust measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Trust elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Trust incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries
Subsidiaries are entities controlled by the Trust. Control exists when the Trust has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
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financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. The consolidated financial statements include the Trust's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

(b) Financial instruments
Financial assets and liabilities are recognized when the Trust becomes party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trust's designation of such instruments.

(i) Non-derivative financial assets

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise restricted cash, receivables and cash and cash equivalents.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and term deposits with original maturities of three months or less.

Restricted cash
Restricted cash mainly includes amounts which are held in interest-bearing reserve accounts and are expected to be utilized over the coming years to fund certain expenses related to investments, as well as amounts provided in guarantee of mortgage loans.

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

(ii) Non-derivative financial liabilities
The Trust classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities comprise mortgage loans payable, convertible debentures, bank loans, trade and other payables and distributions payable to unitholders.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iii) Trust units
Trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32 *Financial Instruments: Presentation* ("IAS 32"), in which case, the puttable instruments may be presented as equity.

BTB's trust units meet the conditions of IAS 32 and are therefore presented as equity.

(iv) Convertible debentures
The convertible debentures, which are considered financial liabilities, are convertible into trust units of the Trust. Since BTB's trust units meet the definition of a financial liability, the conversion and redemption options are considered embedded derivatives.

(v) Derivative financial instruments
Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

(c) Investment property
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. The Trust capitalizes into investment property the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. The Trust also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. Investment property includes income properties, properties under development and land held for future development if necessary.

Cost includes expenditures that are directly attributable to the acquisition of the investment property.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

The Trust makes payments to agents for services in connection with negotiating lease contracts with the Trust's lessees. These leasing fees are capitalized within the carrying amount of the related investment property and then considered in the fair value adjustment of the investment property at the next reporting period.

Should the use of a property change and be reclassified as property and equipment, its fair value at the date of reclassification would become its cost for subsequent accounting.

(d) Property and equipment

(i) Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses in accordance with the cost model.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within profit or loss on a net basis.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Owner-occupied building	40 years
Equipment, furniture and fixtures	2 - 12 years
Rolling stock	2 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted when appropriate.

(iii) Impairment

The carrying amount of the Trust's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(Audited - in thousands of CAD dollars, except per unit amounts)

amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

(e) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the arrangement conveys a right to use the asset. When substantially all risks and rewards of ownership are transferred from the lessor to the lessee, lease transactions are accounted for as finance leases. All other leases are accounted for as operating leases.

(i) Trust as lessor

All existing rental leases related to the Trust's investment properties have been assessed as operating leases.

(ii) Trust as lessee

Leases of assets classified as finance leases are presented in the consolidated statements of financial position according to their nature. The interest element of the lease payment is recognized over the term of the lease based on the effective interest rate method and is included in financing expense. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

(f) Provisions

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Trust expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(g) Revenue recognition

Rental revenue from property includes rents from tenants under leases, property taxes and operating cost recoveries, lease cancellation fees and incidental income. Rental revenue is recognized when service has been rendered and the amount of expected consideration can be reliably estimated.

The Trust commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date, or when the Trust is required to make additions to the leased property in the form of tenant improvements, upon substantial completion of the additions. Certain leases provide for tenant occupancy during periods for which no rent is due ("free rent period") or where minimum rent payments change during the term of the lease. Accordingly, rental revenue is recognized in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which user's benefit derived from the leased asset is diminished. Any deferred amounts related to the straight-line lease adjustments are recognized within investment properties. Leases generally provide for the tenants' payment of maintenance expenses of common elements, property taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests.

Lease incentives which are mostly leasehold improvements and payments of monetary allowances to tenants, are amortized over the lease term as a reduction of rental revenue. The lease term is the non-cancellable period of the lease together with any further extension for which the tenant has the option to continue the lease, where, at the inception of the lease, the Trust is reasonably certain that the tenant will exercise that option. Lease incentives and amortization of lease incentives are recognized as adjustments to the carrying amount of investment properties.

Cancellation fees or premiums received to terminate leases are recognized in profit and loss when they arise.

(h) Government grants

Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Trust will comply with the conditions associated with the grant. Grants that compensate the Trust for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Trust for the cost of an asset are deducted from the carrying amount of the asset.

(i) Earnings per unit

The Trust presents basic earnings per unit data for its Trust units. Basic earnings per unit are calculated by dividing the profit or loss attributable to unit holders of the Trust by the weighted average number of units outstanding during the period, adjusted for own units held.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest on mortgage loans payable, convertible debentures, bank loans and other payables, as well as accretion of the non-derivative liability component of convertible debentures, and accretion of effective interest on mortgage loans payable, convertible debentures and bank loans, and finance income.

Net financing costs comprise finance costs and changes in the fair value of derivative financial instruments.

(k) Operating segment

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
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of the Trust's other components. All operating segments' operating results are reviewed regularly by the Trust's Chief Executive officer (''CEO'') to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(l) Unit-based compensation

(i) Unit option plan

The Trust uses the fair value-based method of accounting for its unit-based awards, under which compensation expense is measured at grant date and recognized over the vesting period. The units are considered financial liabilities and the awards are also considered financial liabilities and measured at fair-value at each reporting period and the change in the fair value is recognized as compensation expense in profit and loss.

(ii) Deferred unit compensation plan for trustees and certain executive officers

Compensation costs related to the deferred unit compensation plan for trustees and certain executive officers are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss.

(iii) Employee unit purchase plan

Compensation costs related to the employee unit purchase plan are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at settlement date. Any changes in fair value are recognized as compensation expense in profit or loss.

(iv) Restricted unit compensation plan

Compensation costs related to the restricted unit compensation plan are recognized at the time they are granted. These units are initially measured at fair value based on the trading price of the Trust's unit, and are revalued at the end of each reporting period, until settlement. Any changes in fair value are recognized as compensation expense in profit or loss. The compensation expense is amortized using the graded vesting method.

(m) Income taxes

BTB is a mutual fund trust and a Real Estate Investment Trust (''REIT'') pursuant to the Income Tax Act (Canada). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that, it is not liable to pay income tax provided that its taxable income is fully distributed to unitholders. BTB has reviewed the proscribed conditions under the Income Tax Act (Canada) and has determined that it qualifies as a REIT for the year. BTB intends to continue to qualify as a REIT and to make distributions not less than the amount necessary to ensure that BTB will not be liable to pay income taxes.

Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

(n) Fair value measurement

The Trust measures financial instruments, such as derivatives, and non-financial assets,such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Trust. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(o) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements.

(i) IFRS 9, Financial Instruments ("IFRS 9")

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The new standard is effective for the Trust's annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(ii) IFRS 11, Joint Arrangements ("IFRS 11")

In May 2014, the IASB issued Amendments to IFRS 11, Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations. The amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business combination as defined in IFRS 3. Acquirers of such interests are to apply the relevant principals on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016 and should be applied prospectively. The Trust does not expect this amendment to significantly impact the consolidated financial statements.

(iii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014 the IASB issued IFRS 15 in replacement of IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard is effective for the Trust's annual

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period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(iv) IFRS 16, Leases ("IFRS 16")
In January 2016, the IASB issued IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for the Trust's annual periods beginning after January 1, 2019 with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

(v) IAS 1, Presentation of Financial Statements ("IAS 1")
During December 2014, the IASB issued an amendment to IAS 1 clarifying certain existing IAS 1 requirements. The amendments include the following: the materiality requirements in IAS 1; that specific line items in the consolidated statements of earnings and OCI and the consolidated balance sheets may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of OCI of associates and joint ventures accounted for using the equity method be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to earnings. The amendments also clarify the requirements that apply when additional subtotals are presented in the consolidated balance sheets and the consolidated statement of earnings and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. These amendments are not expected to have any significant impact on our consolidated financial statements.

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4. Investment Properties

For the years ended December 31,	2015	2014
	$	$
Balance beginning of year	571,462	529,432
Acquisitions of investment properties (note 5)	63,383	40,121
Disposals of investment properties (note 6)	(13 053)	(4,725)
Capital expenditures	4,332	5,572
Government grants	(286)	(120)
Capitalized leasing fees	778	1,137
Capitalized lease incentives	2,364	3,088
Lease incentives amortization	(2,084)	(1,793)
Straight-line lease adjustment	702	610
Net changes in fair value of investment properties (note 20)	(4,947)	(1,860)
Balance end of year	**622,651**	**571,462**

The fair value of a subset of the Trust's investment properties comprised of a selection of the most significant investment properties and approximately 1/3 of the remaining investment properties is determined annually on the basis of valuations made by independent external appraisers having appropriate professional qualifications, using recognized valuation techniques, comprising the Discounted Cash Flow, the Direct Capitalization and Comparable methods. The selection of investment properties subject to external valuation is determined by management based on its assessment of circumstances that in its view, may impact the value of a particular individual investment property. The fair value of the remaining investment properties is determined by management using internally generated valuations based on the Direct Capitalization method.

At December 31, 2015 external appraisals were obtained for investment properties with an aggregate fair value of $394,213 (December 31, 2014 - $381,600) and management's internal valuations were used for investment properties with an aggregate fair value of $228,438 (December 31, 2014 - $189,862).

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The fair value of investment properties is based on Level 3 inputs. There have been no transfers during the year between levels. The significant inputs used to determine the fair value of the Trust's investment properties are as follows:

	Commercial	Office	Industrial	General purpose
As at December 31, 2015				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	6.50% - 9.75%	7.00% - 8.25%
Terminal capitalization rate	7.00% - 8.50%	6.75% - 7.75%	7.75% - 9.75%	7.25% - 8.00%
Discount rate	7.75% - 9.00%	7.50% - 8.50%	8.25% - 10.50%	7.75% - 8.50%
As at December 31, 2014				
Capitalization rate	6.25% - 10.00%	6.50% - 9.25%	7.00% - 10.00%	7.00% - 8.25%
Terminal capitalization rate	7.25% - 8.00%	7.00% - 7.75%	7.25% - 9.75%	7.25% - 8.25%
Discount rate	7.75% - 8.75%	7.50% - 8.50%	7.75% - 10.50%	7.75% - 9.00%

Valuations determined by the Direct Capitalization method are most sensitive to changes in capitalization rate. The following table summarizes the sensitivity of the fair value of investment properties to changes in capitalization rate:

Capitalization rate sensitivity **Increase (decrease)**	**Fair Value**	**Change in fair value**
	$	$
(0.50%)	669,495	46,844
(0.25%)	645,138	22,487
Base rate	622,651	—
0.25%	601,320	(21,331)
0.50%	581,600	(41,051)

As shown in the sensitivity analysis above, an increase in the capitalization rate, other things being equal, will result in a decrease in fair value of the investment properties and vice-versa.

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5. Acquisitions

(a) 2015 Asset acquisitions

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2015 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loans payable**	**Trade and other payables, including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
January 2015	Industrial	Ottawa, ON	100	12,525	—	—	12,525
January 2015	Commercial	Delson, QC	100	21,500	—	123	21,377
August 2015	Office	Ottawa, ON	100	8,560	—	(59)	8,619
August 2015	Office	Ottawa, ON	100	19,350	—	324	19,026
Transaction costs				1,448	—	1,448	—
Total				**63,383**	**—**	**1,836**	**61,547**

(b) 2014 Asset acquisitions

The relative fair value of the assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition during 2014 were as follows:

				Fair value recognized on acquisition			
Acquisition date	**Property type**	**Location**	**Interest acquired**	**Investment properties, including transaction costs**	**Mortgage loans payable**	**Trade and other payables, including transaction costs**	**Total cash consideration paid**
			%	$	$	$	$
May 2014	Commercial	Saint-Jean-sur-Richelieu, QC	100	31,600	—	24	31,576
August 2014	Industrial	Saint-Augustin-de-Desmaures, QC	100	8,300	—	—	8,300
Transaction costs				221	—	221	—
Total				**40,121**	**—**	**245**	**39,876**

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6. Disposals

(a) 2015 Asset Disposals

The following table presents relevant information on disposals recognized in the consolidated financial statements during 2015:

Disposal date	Property type	Location	Gross proceeds	Trade and other payables, including transaction costs	Balance of sale	Net proceeds
			$	$		$
November 2015	Office	Boucherville, QC	2,945	(13)	—	2,932
November 2015	Office	St-Bruno-de-Montarville, QC	3,983	(4)	(600)	3,379
December 2015	General purpose	Laval, QC	3,125	(40)	—	3,085
December 2015	General purpose	Montreal, QC	3,000	(33)	—	2,967
Transaction costs*			—	(276)	—	(276)
Total			**13,053**	**(366)**	**(600)**	**12,087**

*Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs.

(b) 2014 Asset Disposals

The following table presents relevant information on disposals recognized in the consolidated financial statements during 2014:

Disposal date	Property type	Location	Gross proceeds	Trade and other payables, including transaction costs	Net proceeds
			$	$	$
April 2014	Commercial	Montreal, QC	4,200	(66)	4,134
May 2014	Office**	Sherbooke, QC	525	(3)	522
Transaction costs*			—	—	—
Total			**4,725**	**(69)**	**4,656**

*Transaction costs are recognized in profit and loss under Net changes in fair value of investment properties and disposals transaction costs.

**Partial disposal of one of the two buildings constituting the investment property.

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7. Property and Equipment

	Owner-occupied land	Owner-occupied building	Equipment, furniture and fixtures	Rolling stock	Total
	$	$	$	$	$
Cost					
Balance at December 31, 2013	494	1,924	472	82	**2,972**
Additions	—	10	67	—	**77**
Balance at December 31, 2014	494	1,934	539	82	**3,049**
Additions	—	11	55	88	**154**
Balance at December 31, 2015	494	1,945	594	170	**3,203**
Accumulated Depreciation					
Balance at December 31, 2013		310	259	19	**588**
Depreciation for the year		69	81	15	**165**
Balance at December 31, 2014		379	340	34	**753**
Depreciation for the year		69	72	17	**158**
Balance at December 31, 2015		448	412	51	**911**
Net carrying amount					
Balance at December 31, 2014	494	1,555	199	48	**2,296**
Balance at December 31, 2015	494	1,497	182	119	**2,292**

8. Restricted Cash

Restricted cash consists of an amount of $51 (December 31, 2014 - $1,717) provided in guarantee of mortgage loans. The permitted use of restricted cash is to fund certain future capital expenditures.

9. Other Assets

As at December 31,	**2015**	**2014**
	$	$
Prepaid expenses	1,285	2,599
Deposits	684	840
Total	**1,969**	**3,439**

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10. Receivables

As at December 31,	2015	2014
	$	$
Rents receivable	1,125	1,195
Provision for doubtful accounts	(329)	(312)
Net rents receivable	796	883
Unbilled recoveries	105	65
Other receivables	480	394
Balance of sale (note 6)	600	—
Total	**1,981**	**1,342**

Balance of sale is comprise of one mortgage loan receivable bearing interest at an interest rate of 2.75%, payable semi-annually, maturing in November 2020.

11. Mortgage Loans Payable

Mortgage loans payable are secured by immovable hypothecs on investment properties having a fair value of approximately $616,301 as at December 31, 2015 (December 31, 2014 – $565,187).

As at December 31,	2015	2014
	$	$
Fixed rate mortgage loans payable	361,450	317,677
Floating rate mortgage loans payable	6,503	13,107
Unamortized fair value assumption adjustments	1,026	1,270
Unamortized financing costs	(2,383)	(2,111)
Mortgage loans payable	**366,596**	**329,943**
Weighted average interest rate	3.95%	4.13%
Weighted average term to maturity (years)	5.48	4.68
Range of annual rates	2.83% - 6.80%	2.63% - 6.80%

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As at December 31, 2015, the mortgage loan scheduled repayments are as follows:

	Scheduled repayments	Principal maturity	Total
	$	$	$
2016	11,174	70,408	81,582
2017	8,317	57,226	65,543
2018	6,574	35,493	42,067
2019	5,165	37,872	43,037
2020	4,640	17,577	22,217
Thereafter	35,197	78,310	113,507
	71,067	**296,886**	**367,953**
Unamortized fair value assumption adjustments			1,026
Unamortized financing costs			(2,383)
			366,596

In March 2013, the Trust entered into an interest rate swap agreement on a floating interest rate mortgage to hedge the variability in cash flows attributed to fluctuating interest rates. Settlement on both the fixed and variable portion of the interest rate swap occurs on a monthly basis. The original principal amount of the interest rate swap was $7,150, the maturity date is April 2023 and the effective fixed interest rate is 4.02%. As at December 31, 2015, the outstanding principal amount was $6,503 (December 31, 2014 – $6,756). The Trust does not apply hedge accounting to such cash flow hedging relationships (see note 14).

12. Convertible Debentures

As at December 31, 2015, the Trust had three series of subordinated, convertible, redeemable debentures outstanding.

	Capital	Interest rates		Unit conversion price	Interest payments	Maturity
		Coupon	Effective			
		%	%	$		
Series D	23,000	7.25	8.47	6.10	Semi-annual	July 2018
Series E	23,000	6.90	7.90	6.15	Semi-annual	March 2020
Series F	26,700	7.15	8.47	5.65	Semi-annual	December 2020

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The components of the subordinated convertible debentures on the issue date were allocated as follows:

	Series D	Series E	Series F
	$	$	$
Non-derivative liability component	21,346	22,690	26,700
Conversion and redemption options liability component	1,654	310	—
	23,000	**23,000**	**26,700**

The accretion of the non-derivative liability component of the subordinated convertible debentures, which increases as of the initial allocation on the issuance date to the final amount repayable, is recorded under finance costs. The conversion and redemption options liability component is measured at fair value.

	Series D	**Series E**	**Series F**	**Total**
	$	$	$	$
As at December 31,2015				
Non-derivative liability component upon issuance	21,346	22,690	26,700	70,736
Accretion of non-derivative liability component	932	106	—	1,038
	22,278	22,796	26,700	71,774
Unamortized financing costs	(651)	(828)	(1,429)	(2,908)
Non-derivative liability component	**21,627**	**21,968**	**25,271**	**68,866**
Conversion and redemption options (asset) liability component at fair value	**(5)**	**2**	**11**	**8**

	Series C	**Series D**	**Series E**	**Total**
	$	$	$	$
As at December 31,2014				
Non-derivative liability component upon issuance	21,592	21,346	22,690	65,628
Accretion of non-derivative liability component	1,058	693	66	1,817
	22,650	22,039	22,756	67,445
Unamortized financing costs	(408)	(866)	(985)	(2,259)
Non-derivative liability component	**22,242**	**21,173**	**21,771**	**65,186**
Conversion and redemption options asset component at fair value	**(12)**	**(19)**	**(22)**	**(53)**

Series C
In January 2011, the Trust issued Series C subordinated convertible, redeemable, unsecured debentures bearing 8% interest payable semi-annually and maturing in January 2016, in the amount of $23,000. During the second quarter of 2015, conversion options were exercised by holders on debentures representing a nominal amount of $146. The remaining debentures were redeemed in December 2015, in the amount of $22,854.

Series D
In July 2011, the Trust issued Series D subordinated convertible, redeemable, unsecured debentures bearing 7.25% interest payable semi-annually and maturing in July 2018, in the amount of $23,000. The debentures are convertible at the holder's option at any time before July 2018, at a conversion price of $6.10 per unit ("Series D Conversion Price").

Until July 31, 2016, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of July 31, 2016, but before July 31, 2018, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

Series E
In February 2013, the Trust issued Series E subordinated convertible, redeemable, unsecured debentures bearing 6.90% interest payable semi-annually and maturing in March 2020, in the amount of $23,000. The debentures are convertible at the holder's option at any time before March 2020, at a conversion price of $6.15 per unit ("Series E Conversion Price").

These debentures are not redeemable before March 31, 2016, except in the case of a change in control. As of March 31, 2016, but before March 31, 2018, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of March 31, 2018, but before March 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

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Series F

In December 2015, the Trust issued Series F subordinated convertible, redeemable, unsecured debentures bearing 7.15% interest payable semi-annually and maturing in December 2020, in the amount of $26,700. The debentures are convertible at the holder's option at any time before December 2020, at a conversion price of $5.65 per unit ("Series F Conversion Price").

These debentures are not redeemable before December 31, 2018, except in the case of a change in control. As of December 31, 2018, but before December 31, 2019, under certain conditions, the debentures will be redeemable by the Trust at a redemption price equal to their principal amount plus accrued, unpaid interest, provided that the average weighted price based on the volume of units traded on the Toronto Stock Exchange during a period of 20 consecutive trading days ending on the fifth trading day prior to the date on which an advanced notice of redemption is given (the "current market price") is at least 125% of the conversion price. As of December 31, 2019, but before December 31, 2020, under certain conditions, the debentures will be redeemable by the Trust, in whole or in part at any time and for a redemption price equal to the principal amount thereof plus accrued and unpaid interest. The Trust may, under certain conditions, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing a number of units obtained by dividing the principal amount of the debentures by 95% of the current market price on the date of redemption or maturity.

13. Bank Loans

The Trust has access to an acquisition line of credit in the amount of $15,000. This line of credit bears interest at a rate of 3.25% above the prime rate. As at December 31, 2015, $9,800 was due under the acquisition line of credit (December 31, 2014 - $nil).

The Trust also has access to an operating credit facility for a maximum amount of $2,000. This facility bears interest at a rate of 0.75% above the prime rate. As at December 31, 2015 and 2014, no amount was due under the operating credit facility.

The acquisition line of credit and the operating credit facility are secured by an immoveable first rank hypothec on three properties having a value of $7,666, by an immoveable second rank hypothec on three properties having a value of $66,850 and by an immoveable third rank hypothec on a property having a value of $21,000.

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14. Fair Value Measurement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. They do not include the fair value of cash and cash equivalents, restricted cash, receivables, deposits, trade and other payables and distributions payable to unitholders, which approximated their carrying amount as at December 31, 2015 and December 31, 2014 because of their short-term maturity.

As at December 31, 2015	**Carrying amount**			**Fair value**
		Level 1	**Level 2**	**Level 3**
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 12)	8	—	—	8
Interest rate swap	372	—	372	—
For which fair values are disclosed				
Mortgage loans payable (note 11)	366,596	—	377,459	—
Convertible debentures, including their conversion and redemption features	68,874	72,012	—	—
Bank loans (note 13)	9,800	—	9,800	—

As at December 31, 2014	**Carrying amount**			**Fair value**
		Level 1	**Level 2**	**Level 3**
	$	$	$	$
Measured at fair value				
Conversion and redemption options of convertible debentures (note 12)	(53)	—	—	(53)
Interest rate swap	145	—	145	—
For which fair values are disclosed				
Mortgage loans payable (note 11)	329,943	—	337,749	—
Convertible debentures, including their conversion and redemption features	65,133	69,688	—	—

The fair value of mortgage loans payable was calculated by discounting cash flows from future payments of principal and interest using the period end market rate for various loans with similar risk and credit profiles. The period end market rates have been estimated by reference to published mortgage rates by major financial institutions for similar maturities.

The fair value of convertible debentures, including their conversion and redemption features, was determined with reference to the last quoted trading price preceding the period end.

The fair value of bank loans was calculated by discounting cash flows from financial obligations using the period end market rate for similar instruments.

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The fair values of derivative financial instruments, which comprise the conversion and redemption options of convertible debentures and an interest rate swap, are based respectively on the partial differential equation method and the discounted future cash flows method. The assumptions used in the partial differential equation method are estimated by reference to the Trust's unit price and its volatility, and take into account the credit risk of the financial instrument. The assumptions used in the discounted future cash flows method are estimated by reference to the Canadian Dealer Offered Rate ("CDOR") forward rates.

Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions. Potential transaction costs have also not been considered in estimating fair value.

The following tables provide a reconciliation of Level 3 fair value measurements on the consolidated statements of financial position:

	Conversion and redemption options of convertible debentures
	$
Year ended December 31, 2015	
Balance beginning of year	(53)
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	61
Balance end of year	**8**

	Conversion and redemption options of convertible debentures
	$
Year ended December 31, 2014	
Balance beginning of year	1,723
Change for the year recognized in profit and loss under Net adjustment to fair value of derivative financial instruments	(1,776)
Balance end of year	**(53)**

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The following table provides a sensitivity analysis for the volatility applied in fair value measurement of the conversion and redemption options of convertible debentures at December 31, 2015:

	Conversion and redemption options of convertible debentures	Volatility
	$	%
Volatility sensitivity		
Increase (decrease)		
(0.50%)	(100)	20.24
December 31, 2015	8	20.74
0.50%	125	21.24

As shown in the sensitivity analysis above, the fair value of the conversion and redemption options of convertible debentures is impacted by a change in the volatility used in the valuation model. Generally, an increase in the volatility, other things being equal, will result in an increase in fair value of the conversion and redemption options of convertible debentures and vice-versa. In some cases, when the fair value of the redemption option component is increasing more than the fair value of the conversion option component, an increase in volatility will result in a decrease in fair value of the conversion and redemption options.

15. Unit-based Compensation

(a) Unit option plan

The Trust may grant options to its trustees, senior officers, investor relations consultants, and technical consultants. The maximum number of units reserved for issuance under the unit option plan is limited to 10% of the total number of issued and outstanding units. The trustees set the exercise price at the time that the units are granted under the plan; the exercise price may not be less than the discounted market price of the units as determined under the policies of the Toronto Stock Exchange on the date of grant. The options have a minimum term of five years as of the grant date and vest over a period of up to 18 months.

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Unit-based compensation expense and the assumptions used in the calculation thereof using the Black & Scholes option valuation model are as follows:

As at December 31,	2015	2014
Unit-based compensation expense	21	(3)
Liability recognized for unit-based compensation	—	17
Unit options granted	—	—
Remaining life (years)	—	0.40
Volatility rate	—	15.93%
Distribution yield	—	8.88%
Risk-free interest rate	—	0.94%

The following table presents relevant information on changes in the number of unit options during the year:

For the years ended December 31,		2015		2014
	Units options	Weighted average exercise price	Units options	Weighted average exercise price
Outstanding, beginning of year	74,000	4.50	98,000	4.51
Forfeited / Cancelled	—	—	(24,000)	4.54
Exercised	(74,000)	4.50	—	—
Outstanding, end of year	—	—	**74,000**	**4.50**
Options vested	—	—	**74,000**	**4.50**

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(b) Deferred unit compensation plan for trustees and certain executive officers

The Trust offers a deferred unit compensation plan for its trustees and certain executive officers. Under this plan, the trustees and certain executive officers may elect to receive as compensation either cash, deferred units, or a combination of both.

The following table presents relevant information on changes in the number of deferred units during the year:

For the years ended December 31,	**2015**	**2014**
	Deferred Units	Deferred Units
Outstanding, beginning of year	—	29,771
Trustees' compensation	—	5,619
Distributions paid in units	—	1,649
Units settled	—	(37,039)
Outstanding, end of year	**—**	**—**

As at December 31, 2015, the liability related to the plan was $nil (December 31, 2014 - $nil). No expense was recorded in profit and loss for the year ended December 31, 2015 (for year ended December 31, 2014 - $39). As part of the settlement, the Trust issued 36,491 units and paid an amount of $3 under this plan during the third quarter of 2014 (no issuance and no amount for the year ended December 31, 2015).

(c) Employee unit purchase plan

The Trust offers an optional employee unit purchase plan to all its employees. Under this plan, the employees may contribute, each year, pursuant to a maximum of 3% to 7% of their base salary depending of their years of service with the Trust. For each two units purchased by an employee, the Trust issues one unit from treasury.

As at December 31, 2015, the liability related to the plan was $37 representing a total of 8,340 units to issue (December 31, 2014 - $37, representing a total of 7,758 units to issue). The related expense recorded in profit and loss amounted to $37 for the year ended December 31, 2015 (for the year ended December 31, 2014 - $37). The 8,340 units related to 2015 purchases were issued in February 2016 (7,758 units related to 2014 purchases - February 2015).

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(d) Restricted unit compensation plan

The Trust offers a restricted unit compensation plan for all executive officers and key employees. Under this plan, the executive officers and key employees are eligible to receive restricted units.

The following table presents relevant information on changes in the restricted units:

For the years ended December 31,	2015	2014
	Restricted units	Restricted units
Outstanding, beginning of year	39,816	—
Granted	62,868	49,816
Vested / Settled	(51,601)	(10,000)
Outstanding, end of year	**51,083**	**39,816**

As at December 31, 2015, the liability related to the plan was $136 (December 31, 2014 - $159). The related expense recorded in profit and loss amounted to $221 for the year ended December 31, 2015 (for the year ended December 31, 2014 - $205). As part of settlement, the Trust issued 51,601 units under this plan for year ended December 31, 2015 (10,000 units for the year ended December 31, 2014).

16. Trust Units Issued and Outstanding

BTB is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require BTB to redeem their trust units on demand. Upon receipt of the redemption notice, all rights to and under the trust units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per trust unit ("Redemption Price"), as determined by a market formula. The Redemption Price is to be paid in accordance with the conditions provided for in the Declaration of Trust. BTB trust units are considered liability instruments under IFRS because the units are redeemable at the option of the holder, however they are presented as equity in accordance with IAS 32.

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Trust units issued and outstanding are as follows:

For the years ended December 31,		2015		2014
	Units	$	Units	$
Units outstanding, beginning of year	34,133,967	182,284	28,325,538	157,207
Issue pursuant to a public issue	—	—	5,436,000	24,734
Unit issue costs	—	—	—	(1,305)
	34,133,967	182,284	33,761,538	180,636
Issue pursuant to the distribution reinvestment plan (a)	408,625	1,772	318,482	1,400
Issue pursuant to conversion of convertible debentures (note 12)	29,200	144	—	—
Issue pursuant to the unit option plan (note 15 (a))	74,000	371	—	—
Issue pursuant to the deferred unit compensation plan (note 15 (b))	—	—	36,491	169
Issue pursuant to the employee unit purchase plan (note 15 (c))	7,758	37	7,456	33
Issue pursuant to the restricted unit compensation plan (note 15 (d))	51,601	245	10,000	46
Units outstanding, end of year	**34,705,151**	**184,853**	**34,133,967**	**182,284**

(a) Distribution reinvestment plan

BTB offers a distribution reinvestment plan for its trust unitholders. Participation in the plan is optional and under the terms of the plan, cash distributions on trust units are used to purchase additional trust units. The trust units are issued from BTB's treasury at a price based on the volume-weighted average of the trading prices on the Toronto Stock Exchange for the last five trading days before the distribution date, less a discount of 5%.

(b) Distributions

For the years ended December 31,	2015	2014
	$	$
Distributions to unitholders	14,478	12,953
Distributions per unit	0.42	0.41

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17. Rental Revenues from Properties

For the years ended December 31,	2015	2014
	$	$
Rental income contractually due from tenants	74,274	68,353
Lease incentive amortization	(2,084)	(1,793)
Straight-line lease adjustment	702	610
	72,892	**67,170**

18. Net Financing Costs

For the years ended December 31,	2015	2014
	$	$
Financial income	(52)	(77)
Interest on mortgage loans payable	14,360	13,523
Interest on convertible debentures	5,228	5,096
Interest on bank loans	690	172
Other interest expense	110	66
Accretion of non-derivative liability component of convertible debentures	629	561
Accretion of effective interest on mortgage loans payable, convertible debentures and bank loans	1,273	1,069
Early repayment fees of a mortgage loan	625	—
Net adjustment to fair value of derivative financial instruments	288	(1,379)
	23,151	**19,031**

19. Expenses for abandoned transaction

For the year ended December 31, 2015, due diligence expenses of $207 were incurred for the proposed acquisition of a major property portfolio (for the year ended December 31, 2014 - $nil). As certain preliminary conditions were not met, management decided to terminate the acquisition project.

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20. Net changes in fair value of investment properties and disposals transaction costs

For the years ended December 31,	2015	2014
	$	$
Net changes in fair value of investment properties	4,947	1,860
Disposals transaction costs	276	—
	5,223	1,860

21. Expenses by Nature

For the years ended December 31,	2015	2014
	$	$
Depreciation	158	165
Employee benefits expense	4,128	3,947

22. Earnings per Unit

BTB's trust units being puttable financial instruments presented as equity in accordance with IAS 32 (see note 16), the Trust is not required to report a profit or loss per unit figure on its consolidated statements of comprehensive income. However, for disclosure purposes only, the Trust has determined basic earnings per unit using the same basis that would apply in accordance with IAS 33, *Earnings per Share*.

Net earnings per unit are calculated based on the weighted average number of units outstanding as follows:

For the years ended December 31,	2015	2014
	$	$
Net income	8,669	12,883
Weighted average number of units outstanding – basic	34,449,596	31,418,057
Earnings per unit – basic	**0.25**	**0.41**

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23. Operating Lease Income

The Trust as lessor enters into leases on its investment properties. Initial lease terms are generally between three and ten years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to terminate before the end of the lease term.

Future minimum base rentals receivable under non-cancellable operating leases as at December 31, 2015 are as follows:

	2015
	$
Within one year	45,680
Beyond one year but within five years	126,664
Beyond five years	70,150
	242,494

24. Capital and Financial Risk Management

This note presents information about the Trust's management of capital and the Trust's exposure to financial risk and its objectives, policies and processes for measuring and managing risk.

(a) Capital Management

The Trust's capital consists of contributions by unitholders, convertible debentures, mortgage loans and bank loans, excluding issuance costs. In managing its capital, the Trust's objectives are to ensure that it has adequate resources for its operations and development, while maximizing returns for unitholders and maintaining a balance between debt and equity.

The Trust manages its capital structure based on changes in its operations, the economic climate and the availability of capital.

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The Trust's capital is as follows:

As at December 31,	**2015**	**2014**
	$	$
Mortgage loans payable[1]	367,953	330,784
Convertible debentures[1]	72,700	69,000
Bank loans[1]	9,800	—
	450,453	**399,784**
Unitholders' equity	174,359	177,599
	624,812	**577,383**

(1) Excluding issue costs

As at December 31,	**2015**	**2014**
	%	%
Mortgage loans payable, Convertible debentures and Bank loans / total asset value ratio	71.2	68.1
Mortgage loans payable and Bank loans/ total asset value ratio	59.7	56.4

(b) Financial Risk Management

The Trust has exposure to the following risks from its use of financial instruments:

- credit risk
- interest rate risk
- liquidity risk
- fair value risk (see note 14)

This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk, and the Trust's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(i) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates this risk by varying its tenant mix and staggering lease terms; avoiding dependence on a single tenant for a significant portion of the Trust's operating revenues and conducting credit assessments for all major new tenants. The Trust analyzes its trade receivable on a regular basis and records a provision for doubtful accounts when there is a significant risk of non-recovery. As at December 31, 2015, overdue rent receivable amounted to $638 (December 31, 2014 - $507), of which a provision for doubtful account of $329 (December 31,

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2014 - $312) has been recorded. Management expects to recover the amounts not provisioned as all lease agreements are signed, and they are in continuous discussions for collections with the tenants.

The Trust places its cash and cash equivalent investments with Canadian financial institutions with high credit ratings. Credit ratings are actively monitored and these financial institutions are expected to meet their obligation.

(ii) Interest rate risk

Interest rate risk reflects the risk of changes in the fair value or future cash flows of a financial instrument because of fluctuations in market interest rates.

As at December 31, 2015, all mortgage loans payable and convertible debentures bear interest at fixed rates or are covered by an interest rate swap agreement. Accordingly a 100-basis point increase or decrease in the average interest rates for the fiscal year, assuming that all other variables remain constant, would have no impact on the Trust's comprehensive income for the year ended December 31, 2015.

(iii) Liquidity risk

Liquidity risk is managed by:

- maximizing cash flows from operations;
- adopting an investment property acquisition and improvement program that takes into account available liquidity;
- using credit facilities on the market;
- staggering mortgage loan maturities;
- maximizing the value of investment properties, thus increasing mortgage financing on renewal of loans; and
- issuing debt securities or BTB's units on the financial markets.

Management believes that the Trust will be able to obtain the financing required to make the payments coming due in the next year. However, there is a risk that changes affecting market conditions and access to financing may invalidate this assumption.

Some mortgage loans include subjective and restrictive covenant clauses under which the Trust must comply with financial conditions and ratios.

As at December 31, 2015, the Trust was in compliance with all the covenants to which it was subject.

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The Trust's cash position is regularly monitored by management. The following are contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2015			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2016	2017	2018	2019	2020	2021 and thereafter
	$	$	$	$	$	$	$	$
Trade and other payables	11,693	11,693	11,693	—	—	—	—	—
Distributions payable to unitholders	1,215	1,215	1,215	—	—	—	—	—
Bank loans	9,800	9,800	9,800	—	—	—	—	—
Mortgage loans payable and convertible debentures	435,462	528,364	100,661	81,276	77,571	52,722	79,456	136,678
	458,170	**551,072**	**123,369**	**81,276**	**77,571**	**52,722**	**79,456**	**136,678**

As at December 31, 2014			Estimated payment schedule					
	Carrying amount	Total contractual cash flows	2015	2016	2017	2018	2019	2020 and thereafter
	$	$	$	$	$	$	$	$
Trade and other payables	12,457	12,457	12,457	—	—	—	—	—
Distributions payable to unitholders	1,194	1,194	1,194	—	—	—	—	—
Mortgage loans payable and convertible debentures	395,129	471,409	59,524	116,993	76,519	70,609	46,879	100,885
	408,780	**485,060**	**73,175**	**116,993**	**76,519**	**70,609**	**46,879**	**100,885**

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25. Subsidiaries and Joint Arrangements

(a) Subsidiaries

The principal entities included in the Trust's consolidated financial statements are as follows:

Entity	Type	Relationship
BTB Real Estate Investment Trust ("BTB REIT")	Trust	Parent
BTB, Acquisition and operating Trust ("BTB A&ET")	Trust	100% owned by BTB REIT
BTB Real Estate Management Inc.	Corporation	100% owned by BTB A&ET
Cagim Real Estate Corporation ("CREC")	Corporation	100% owned by BTB A&ET
Lombard SEC	Limited Partnership	99.9% owned by BTB A&ET 0.1% owned by CREC
Place d'affaire Lebourgneuf Phase II, SENC ("PAL II")	General Partnership	99.9% owned by BTB A&ET 0.1% owned by CREC
Société immobilière Cagim, SEC	Limited Partnership	70.4% owned by BTB A&ET 29.5% owned by PAL II 0.1% owned by CREC

(b) Joint arrangements

The Trust has investments in joint arrangements whereby the parties that have joint control of the arrangements have rights to the assets, and obligations for the liabilities, relating to the arrangements. Therefore, the joint arrangements are classified as joint operations. The joint operations included in the Trust's consolidated financial statement are as follows:

As at December 31,	**2015**	**2014**
	%	%
Property*		
Immeuble BTB/Laplaine	50	50
Huntington/BTB Montclair	50	50
Complexe Lebourgneuf Phase II**	75	75

* The three investment properties are located in province of Quebec.

** Structured through a separate vehicle. The legal form of the separate vehicle gives the parties rights to the assets, and obligations for the liabilities, relating to the arrangement. Accordingly, the joint arrangement is classified as a joint operation.

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The consolidated financial statements include the Trust's proportionate share of the assets, liabilities, revenues and expenses of these three joint arrangements.

As at and for the years ended December 31,	**2015**	**2014**
	$	$
Assets	48,025	47,454
Liabilities	30,098	30,898
Revenues	5,587	5,341
Expenses	3,444	2,015

26. Operating Segments

For investment properties, discrete financial information is provided to the Chief Executive Officer (''CEO'') on an aggregated investment property basis. The information provided is net rentals (including gross rent and property expenses), the change in fair value of investment properties and fair value of investment properties. The individual investment properties are aggregated into segments with similar economic characteristics. The CEO considers that this is best achieved by aggregating into commercial, office, industrial and general purpose segments.

Consequently, the Trust is considered to have four operating segments, as follows:

- Commercial
- Office
- Industrial
- General purpose

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	Commercial	Office	Industrial	General purpose	Total
	$	$	$	$	$
Year ended December 31, 2015					
Investment properties	155,838	229,288	124,125	113,400	**622,651**
Rental revenue from properties	17,670	28,014	11,242	15,966	**72,892**
Net operating income	10,801	12,930	9,422	8,141	**41,294**
Year ended December 31, 2014					
Investment properties	137,362	209,200	109,025	115,875	**571,462**
Rental revenue from properties	14,087	27,771	9,946	15,366	**67,170**
Net operating income	8,687	13,500	8,083	7,713	**37,983**

27. Compensation of Key Management Personnel and Trustees

Key management personnel and trustees compensation is as follows:

For the years ended December 31,	2015	2014
	$	$
Salaries and short-term benefits	1,976	1,935
Unit-based compensation	264	209
Total	**2,240**	**2,144**

Key management personnel are comprised of the Company's executive officers.

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28. Commitments and Contingencies

(a) Operating leases as lessee

The annual future payments required under operating leases expiring between 2017 and 2070 are as follows:

	Total
	$
Within one year	197
Beyond one year but within five years	787
Beyond five years	14,508
	15,492

The related expense recorded in profit and loss amounted to $183 for the year ended December 31, 2015 (for the year ended December 31, 2014 - $88).

(b) Finance lease as lessee

The annual future payments required under finance leases expiring between 2018 and 2024 are as follows:

As at December 31,	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$	$	$	$	$	$
Within one year	244	47	55	19	189	28
Beyond one year but within five years	534	201	144	56	390	145
Beyond five years	455	139	47	25	408	114
	1,233	**387**	**246**	**100**	**987**	**287**

The present value of the minimum lease payments is recorded in Trade and other payables.

(c) Litigation

The Trust is involved with litigations and claims which arise from time to time in the normal course of business. These litigations and claims are generally covered by insurance. In the opinion of management, any liability that may arise from such contingencies will not have a significant adverse effect on the Trust's consolidated financial statements.

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29. Subsequent Events

In February 2016, the Trust acquired an office building located in the city of Montreal for a purchase price of $11,000. As part of the transaction, the Trust secured a 5 year first ranked mortgage loan of $7,250 bearing interest at a rate of 2.77% and a 2 year second ranked mortgage loan of $2,650 bearing interest at a rate of 5.90%.

In February 2016, the Trust concluded a refinancing agreement for one of its properties owned at 75% for a total amount of $1,644, at an interest rate of 3.30% maturing in 5 years.

30. Comparatives Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

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